

State of Idaho

Legislative Services Office

Management Report

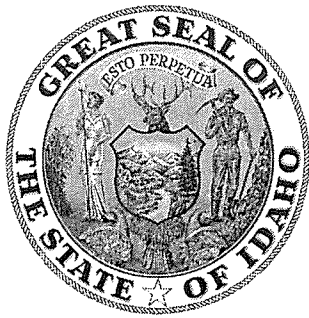
A communication to the Joint Finance-Appropriations Committee

LAVA HOT SPRINGS FOUNDATION

FY 2006, 2007, and 2008

Report IC34108
Date Issued: December 11, 2009

Serving Idaho's Citizen Legislature



Don H. Berg, Manager

**Idaho Legislative Services Office
Legislative Audits Division**

LAVA HOT SPRINGS FOUNDATION

SUMMARY

PURPOSE OF MANAGEMENT REVIEW

We conducted a management review of the Lava Hot Springs Foundation covering the fiscal years ended June 30, 2007, 2008, and 2009. Our review covered general administrative procedures and accounting controls to determine that activities are properly recorded and reported.

The intent of this review was not to express an opinion, but to provide general assurance on internal controls and to raise the awareness of management and others of any conditions and control weaknesses that may exist and offer recommendations for improvement.

CONCLUSION

Our review disclosed internal control weaknesses and non-compliance in the travel voucher process.

FINDINGS AND RECOMMENDATIONS

There is one finding and recommendation in this report.

1. Travel vouchers are not prepared or documented as required.

The complete finding is detailed on page 1. A copy of this report is available at <http://www.legislature.idaho.gov/audit> or by calling 208-334-4832.

PRIOR FINDINGS AND RECOMMENDATIONS

There were no findings and recommendations in the prior report.

AGENCY RESPONSE

The Foundation's management has reviewed the report and is in general agreement with its contents.

FINANCIAL INFORMATION

The following data is included for informational purposes only.

LAVA HOT SPRINGS FOUNDATION – FISCAL YEAR 2008

Fund	Beginning Cash Balance	Plus Receipts	Transfers In/ Transfers Out	Less Disbursements	Ending Cash Balance
0410-03 Public Recreation – Lava Hot Springs	\$113,740	\$1,463,237	(\$135,000)	\$1,300,895	\$141,082
0410-04 Lava Hot Springs – Capital Improvements	<u>31,381</u>	<u>4,052</u>	<u>135,000</u>	<u>0</u>	<u>170,433</u>
Total	<u>\$145,121</u>	<u>\$1,467,289</u>	<u>\$0</u>	<u>\$1,300,895</u>	<u>\$311,515</u>

OTHER ISSUES

We discussed other issues which, if changed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho and the Lava Hot Springs Foundation and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the executive director, Mark Lowe, and his staff.

ASSIGNED STAFF

Chris Farnsworth, CPA, Managing Auditor

J.E. Bowden, CPA, In-Charge Auditor

Mark Schoenfeld, Staff Auditor

TABLE OF CONTENTS

Finding and Recommendation	1
Agency Response	2
Appendix	3

FINDING AND RECOMMENDATION

FINDING 1

Travel vouchers are not prepared or documented as required.

Idaho Code, Section 67-2006 requires employees to complete and sign a travel voucher to certify that expenses were necessary and appropriate. State travel policies also require each agency to maintain complete records and supporting documentation for all travel costs on forms provided by the State Controller's Office. If travel costs are paid for with a State purchasing card (p-card), a complete accounting of these costs is required on the travel voucher form, and all appropriate receipts and invoices must be attached.

The Foundation does not require employees to complete travel vouchers when costs are paid through direct payment, p-card, or third-party reimbursements. We identified multiple instances of travel costs that were not associated with a travel voucher or vouchers that did not identify or document all related costs. As a result, evidence is not available to verify that travel costs were properly accounted for and complete, or that established requirements and limits were met.

We also noted other travel costs that were inappropriate or not properly documented. For example, the federal meal per diem rate was used for in-State travel in error and an outdated vehicle mileage reimbursement rate was used, both of which resulted in overpayments to employees. In addition, meal costs at the employee's home station were reimbursed without the documentation required by State travel policies.

RECOMMENDATION

We recommend that the Foundation comply with Idaho Code and State travel policies by requiring travelers to prepare vouchers that identify the travel itinerary, all costs associated with each trip, and the method of payment. Travel vouchers should identify all details of each trip, even if the traveler is not seeking any additional reimbursement. We also recommend that the Foundation follow State travel policies regarding allowable meals and mileage reimbursements, and that all required documents are attached to the travel voucher.

AGENCY'S CORRECTIVE ACTION PLAN

It is the intent of the Foundation to adopt the travel policy and procedures as detailed by the State Controller's Office. All travel will be documented on forms supplied by the State Controller's Office. Additionally, travel that is reimbursed by third parties will be documented. We will strive to stay current with changes to the travel policies of the State.

AGENCY RESPONSE

**IDAHO'S WORLD FAMOUS HOT SPRINGS &
OLYMPIC SWIMMING COMPLEX
Lava Hot Springs Foundation**

P.O. Box 669
Lava Hot Springs, Idaho 83246
(208) 776-5221 or (800) 423-8597
www.lavahotsprings.com

October 29, 2009

Governor:
C.L. "Butch" Otter

Board of Directors
Irene Bergendorf
Karleen L. Gunnell
James Guthrie
Leslie Romriell
Grady Staley, Chair

Executive Director
Mark Lowe

Don Berg, Manager
Legislative Audits
Legislative Services Office
P.O. Box 83720
Boise, ID 83720-0054

Dear Mr. Berg,

I am in receipt of the summary report from the LSO Audit Team conducting the audit of the Lava Hot Springs Foundation for fiscal years 2006-2008. As always, it is the intent of the Lava Hot Springs Foundation to comply with all State laws, rules and regulations.

We appreciate the audit findings that will assist us in doing so. I would like to submit the following comments on the report:

Item #1: Travel vouchers are not prepared or documented as required. It is the intent of the Foundation to adopt the Travel Policy and Procedures as detailed by the State Controllers Office. All travel will be documented on forms supplied by the SCO. Additionally, travel that is reimbursed by third parties will be documented. We will strive to stay current with changes to the travel policies of the State.

The administration and staff of the Foundation appreciate the time and effort of the audit team. They were helpful in explaining their processes and procedures during the audit. Their experience working with other state entities helped make the audit a positive experience. Also helpful were the suggestions they made on possible changes to our internal controls and activities that may make our processes and procedures more time and cost effective.

Please let me know if there are questions, comments or concerns regarding this response or on any other issue.

Sincerely,



Mark Lowe, Executive Director
Lava Hot Springs Foundation

APPENDIX

HISTORY

Land administered by Lava Hot Springs Foundation, consisting of 178 acres along the Portneuf River in Bannock County, was purchased from the Shoshone-Bannock tribes at Fort Hall by the federal government in 1902. Later that same year, the federal government ceded the land to the State of Idaho, with the provision that the State reserve the land for public use under such regulation as the State may prescribe. The State created the Foundation under Idaho Code, Section 67-4401, as an agency within the Department of Parks and Recreation to manage the land. Since its acquisition in 1902, the land has been developed into a popular family vacation destination for residents of Idaho and surrounding states.

PURPOSE

The purpose of the Foundation is to make available to the public, at reasonable rates, the enjoyment of the Foundation's hot baths, swimming pool, and surrounding property, including gardens, scenic foot paths, and parks.

STATUTORY AUTHORITY

Statutory authority for managing, operating, and controlling Lava Hot Springs is found in Idaho Code, Title 67, Chapter 44.

ORGANIZATION

Idaho Code, Section 67-4401, states that all rights to operate, manage, and control Lava Hot Springs is vested in the Lava Hot Springs Foundation. The Foundation consists of a five-member board, appointed by the Governor, serving staggered six-year terms.

Idaho Code, Section 67-4402, gives the Foundation power to hire an executive director to oversee the Foundation's facilities. Mark J. Lowe was hired as executive director by the board in May 1999. The Foundation employs 10 full-time employees and about 40 part-time employees during the summer when the swimming pool is open (mid-May through Labor Day). The hot baths are open year round.

FUNDING

The Foundation is a self-sustaining financial operation. All operating revenue is generated from hot baths and swimming pool entrance fees; swimsuit, towel, and locker rentals; miscellaneous merchandise sales; and lease agreements.

Rates charged to the public are based on the following factors.

1. Rates high enough that the Foundation will not undercut similar private facilities located in Southeast Idaho.
2. Rates high enough to cover operating expenditures.
3. Rates low enough that the public can use the facilities without suffering economic hardship.
4. Rates low enough that profits do not exceed operating expenditures and fixed asset replacement.

